

**PRAIRIE VALLEY  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Deb Doyen	President	2011
Scott Hansch	Vice President	2013
Clark Taylor		2011
Brian Holmgaard		2011
Rick Brand		2013
Shannon Miller		2013
Emilea Lundberg		2013

**School Officials**

James Dick	Superintendent
Erin Frahm	District Secretary/ Treasurer

# BRUCE D. FRINK

Certified Public Accountant

## Member:

- American Institute of Certified Public Accountants

- Iowa Society of Certified Public Accountants

## Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

## Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

## Independent Auditor's Report

To the Board of Education of  
Prairie Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Prairie Valley Community School District, Gowrie, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Prairie Valley Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

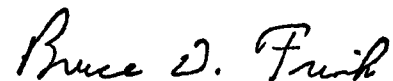
In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2012 on our consideration of Prairie Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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Clarion, IA 50525

Phone: (515) 532-6659  
Fax: (515) 532-3677  
bruce@frinkcpa.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Prairie Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRUCE D. FRINK  
Certified Public Accountant

March 26, 2012

# **PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT**

## **Management's Discussion and Analysis**

Prairie Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$7,187,962 in fiscal year 2010 to \$8,325,050 in fiscal year 2011, while General Fund expenditures increased from \$7,008,148 in fiscal year 2010 to \$7,228,010 in fiscal year 2011. The District's General Fund balance increased by \$1,191,540.
- The increase in expenses was due primarily to normal increases in payroll and benefits.
- Increased revenues from local and state sources accounted for the majority of the increase in revenues. The District levied a \$1,000,000 cash reserve to restore the cash lost in prior year state aid cuts.
- The District's solvency ratio was positive 3% at the end of fiscal 2010. The solvency ratio is indicative of the District's ability to meet its financial obligations. The District had been in a negative position the past several years.
- The District is using its statewide sales, services and use tax money for a variety of projects as well as property tax relief.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Prairie Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Prairie Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Prairie Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental funds and a multiyear comparison of revenues and expenses. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

*Prairie Valley Community School District Annual Financial Report*

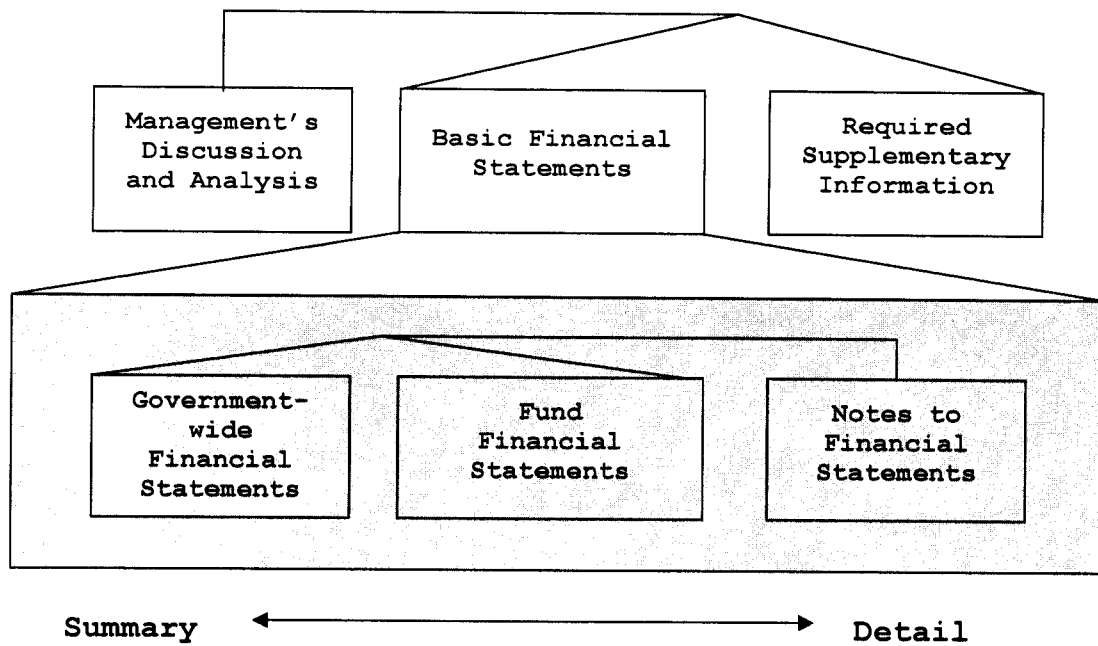


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and day care	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition and Daycare Funds.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

<p style="text-align: center;"><b>Figure A-3</b>  <b>Condensed Statement of Net Assets</b>  <b>(Expressed in Thousands)</b></p>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 6,966	6,047	77	43	7,043	6,090	15.65%
Capital assets	6,287	6,144	32	38	6,319	6,182	2.22%
Total assets	13,253	12,191	109	81	13,362	12,272	8.88%
Current liabilities	4,354	4,757	7	1	4,361	4,758	-8.34%
Non-current liabilities	395	124	-	-	395	124	100.00%
Total liabilities	4,749	4,881	7	1	4,756	4,882	-2.58%
Net Assets							
Invested in capital assets, net of related debt	6,172	6,144	32	38	6,204	6,182	0.36%
Restricted	1,269	976	-	-	1,269	976	30.02%
Unrestricted	1,063	190	70	42	1,133	232	388.36%
Total net assets	\$ 8,504	7,310	102	80	8,606	7,390	16.45%

The District's total net assets increased by 16% primarily as a result of an increase in the General Fund. The District continues to invest in upgrading its facilities and properly equipping the classrooms. Over \$380,000 was spent on equipment, bus and infrastructure projects in FY11.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total District		Total Change	
2011	2010	2011	2010	2011	2010	2010-2011	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 1,026	568	258	252	1,284	820	56.59%
Operating grants, contributions and restricted interest	1,592	1,715	187	192	1,779	1,907	-6.71%
General revenues:							
Property tax	3,953	3,376	-	-	3,953	3,376	17.09%
Income surtax	299	337	-	-	299	337	-11.28%
Statewide sales, services and use tax	534	427	-	-	534	427	25.06%
Unrestricted state grants	2,036	1,769	-	-	2,036	1,769	15.09%
Unrestricted investment earnings	35	24	-	-	35	24	45.83%
Other	147	72	-	-	147	72	104.17%
Total revenues	9,622	8,288	445	444	10,067	8,732	15.29%
Program expenses:							
Governmental activities:							
Instruction	5,826	5,300	-	-	5,826	5,300	9.92%
Support services	1,948	2,154	-	-	1,948	2,154	-9.56%
Non-instructional programs	1	1	422	419	423	420	0.71%
Other expenses	653	747	-	-	653	747	-12.58%
Total expenses	8,428	8,202	422	419	8,850	8,621	2.66%
Change in net assets	\$ 1,194	86	23	25	1,217	111	496.40%

Property tax and unrestricted state grants account for 58% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 88% of the total expenses.

#### Governmental Activities

Revenues for governmental activities were \$9,621,710 and expenses were \$8,427,974 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

<p style="text-align: center;"><b>Figure A-5</b>  <b>Total and Net Cost of Governmental Activities</b>  <b>(Expressed in Thousands)</b></p>						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 5,826	5,300	9.92%	3,509	3,325	5.53%
Support services	1,948	2,154	-9.56%	1,925	2,138	-9.96%
Non-instructional programs	1	1	100.00%	1	1	100.00%
Other expenses	653	747	-12.58%	375	455	-17.58%
Totals	<u>\$ 8,428</u>	<u>8,202</u>	<u>2.76%</u>	<u>5,810</u>	<u>5,919</u>	<u>-1.84%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$1,025,539.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,010,276.
- The net cost of governmental activities was financed with \$3,952,911 in property tax and \$2,035,965 in state foundation aid.

#### **Business Type Activities**

Revenues for business type activities during the year ended June 30, 2011 were \$445,193 and expenses totaled \$422,203. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

#### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The Prairie Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported combined fund balances of \$2,322,409, which is over \$1 million more than last year's ending fund balance of \$1,031,029. Primary reason for increase was an additional property tax levy to restore General Fund.

#### **Governmental Fund Highlights**

Several factors contributed to the small increase of the fund balance in the District's governmental funds. Some of these factors were unexpected; some were deliberately planned.

- The District generated over \$534,000 in statewide sales, services and use tax revenues. These monies are being used to offset debt service property tax asking and for infrastructure projects.
- Discretionary costs were curtailed in order to reduce the deficit.
- The board voted to close the Callendar building in an effort to reduce non-instructional General Fund costs.
- Enrollment decreases continue to take a toll on the District's finances.
- Inadequate allowable growth harms the District's ability to continue all programs.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets increased approximately \$21,000 in fiscal year 2011.

The Daycare Fund increased by less than \$1,540.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's total certified budget should always exceed the actual total expenditures for the year.

The District did not exceed the published budget amount in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The District has invested more than \$6.3 million, net of accumulated depreciation by the end of fiscal year 2011 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. The District made improvements and updated equipment at all three facilities during the year. Total depreciation expenses for the year exceeded \$245,000.

### **Long-Term Debt**

The District entered into a 3 year lease for the purchase of laptop computers. Three payments of \$62,079 each beginning August, 2010. The interest rate is 5.98%. Payments will be made from the statewide sales, services and use tax fund.

Other long term debt consists of early retirement and future retiree health benefits. See the notes to financial statements for a complete description of each.

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Decreasing enrollment is having a negative effect on the General Fund.
- The District is hoping to reduce non-instructional costs by closing a building.
- To offset the impact of declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10- year period. The District was on budget guarantee for fiscal year 2011 and will continue to be on budget guarantee for several years to come. Due to previous and continued declining enrollment, the amount of this reduction due to the phase out of the budget guarantee will likely grow over the next several years.
- The District will continue monitor payroll expenses as they account for the vast majority of the budget.

- The District has begun sharing with neighboring districts in different areas, including administration.
- Alternative sources must continue to be found due to funding inconsistencies on the parts of the federal and state governments.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the Federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Erin Frahm, District Business Manager, Prairie Valley Community School District, PO Box 49, Gowrie, Iowa 50543.

## **Basic Financial Statements**

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,737,875	48,887	2,786,762
Receivables:			
Property tax:			
Current year	42,049	-	42,049
Succeeding year	3,575,645	-	3,575,645
Income surtax - succeeding year	289,370	-	289,370
Due from other governments	321,236	-	321,236
Other receivables	-	817	817
Inventories	-	27,823	27,823
Capital assets, net of accumulated depreciation	6,219,018	32,047	6,251,065
<b>Total assets</b>	<b>13,185,193</b>	<b>109,574</b>	<b>13,294,767</b>
<b>Liabilities</b>			
Accounts payable	307,996	6,874	314,870
Accrued salaries and benefits	470,755	-	470,755
Deferred revenue:			
Succeeding year property tax	3,575,645	-	3,575,645
Long term liabilities:			
Portion due within one year:			
Capital lease payable	55,777	-	55,777
Early retirement	140,120	-	140,120
Portion due after one year:			
Net OPEB liability	43,830	-	43,830
Capital lease payable	58,844	-	58,844
Early retirement	96,737	-	96,737
<b>Total liabilities</b>	<b>4,749,704</b>	<b>6,874</b>	<b>4,756,578</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	6,104,397	32,047	6,136,444
Restricted for:			
Categorical funding	57,608	-	57,608
Student activities	30,963	-	30,963
Management levy	556,944	-	556,944
School infrastructure	587,014	-	587,014
Physical plant and equipment levy	35,519	-	35,519
Unrestricted	1,063,044	70,653	1,133,697
<b>Total net assets</b>	<b>\$ 8,435,489</b>	<b>102,700</b>	<b>8,538,189</b>

See notes to financial statements.



## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:	\$ 5,825,615	1,014,680	1,302,097	(3,508,838)	-	(3,508,838)
Support services:						
Student services	96,624	-	-	(96,624)	-	(96,624)
Instructional staff services	182,451	-	-	(182,451)	-	(182,451)
Administration services	619,551	-	-	(619,551)	-	(619,551)
Operation and maintenance of plant services	607,598	-	12,053	(595,545)	-	(595,545)
Transportation services	441,978	10,859	-	(431,119)	-	(431,119)
	1,948,202	10,859	12,053	(1,925,290)	-	(1,925,290)
Non-instructional programs:						
Community service operations	1,003	-	-	(1,003)	-	(1,003)
Other expenditures:						
AEA flowthrough	278,373	-	278,373	-	-	-
Facilities acquisition and construction	134,575	-	-	(134,575)	-	(134,575)
Depreciation (unallocated)*	240,206	-	-	(240,206)	-	(240,206)
	653,154	-	278,373	(374,781)	-	(374,781)
Total governmental activities	8,427,974	1,025,539	1,592,523	(5,809,912)	-	(5,809,912)

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Operating Grants, Contributions and Restricted Interest			
	Charges for Service		Governmental Activities	Business Type Activities
Expenses				Total
Business type activities:				
Non-instructional programs:				
Nutrition services	370,952	212,542	-	21,450
Community education	51,251	45,671	-	1,540
	<u>422,203</u>	<u>258,213</u>	<u>-</u>	<u>22,990</u>
Total	<u>\$ 8,850,177</u>	<u>1,283,752</u>	<u>(5,809,912)</u>	<u>(5,786,922)</u>
<b>General Revenues:</b>				
Property tax levied for:				
General purposes			\$ 3,575,380	-
Management levy			303,915	-
Capital outlay			73,616	-
Income surtax			298,656	-
Statewide sales, services and use tax			534,151	-
Unrestricted state grants			2,035,965	-
Unrestricted investment earnings			35,103	-
Gain on sale of capital assets			26,539	-
Other			52,362	-
			<u>6,935,687</u>	<u>-</u>
Total general revenues				6,935,687
Change in net assets			1,125,775	22,990
Net assets beginning of year			<u>7,309,714</u>	<u>79,710</u>
Net assets end of year			<u>\$ 8,435,489</u>	<u>102,700</u>
				<u>8,538,189</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2011

	Capital Projects					Total
	General	Student Activity	Management Levy	Statewide Sales Use Tax	Physical Plant and Equipment Levy	
Cash	\$ 1,619,926	30,963	553,726	498,716	34,544	2,737,875
Receivables:						
Property tax:						
Current year	37,856	-	3,218	-	975	42,049
Succeeding year	3,190,020	-	300,000	-	85,625	3,575,645
Income surtax - succeeding year	289,370	-	-	-	-	289,370
Due from other governments	224,757	-	-	96,479	-	321,236
<b>Total assets</b>	<b>\$ 5,361,929</b>	<b>30,963</b>	<b>856,944</b>	<b>595,195</b>	<b>121,144</b>	<b>6,966,175</b>

**Assets**

Cash  
Receivables:  
  Property tax:  
    Current year  
    Succeeding year  
  Income surtax - succeeding year  
  Due from other governments  
**Total assets**

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2011

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$ 299,815	-	-	8,181	-	-	307,996
Accrued payroll and benefits	470,755	-	-	-	-	-	470,755
Deferred revenue:							
Succeeding year property tax	3,190,020	-	300,000	-	85,625	-	3,575,645
Succeeding year income surtax	289,370	-	-	-	-	-	289,370
Total liabilities	<u>4,249,960</u>	-	<u>300,000</u>	<u>8,181</u>	<u>85,625</u>	<u>85,625</u>	<u>4,643,766</u>

Fund balances:

Restricted for:							
Categorical funding	57,608	-	-	-	-	-	57,608
Student activities	-	30,963	-	-	-	-	30,963
Management levy	-	-	556,944	-	-	-	556,944
School infrastructure	-	-	-	587,014	-	-	587,014
Physical plant and equipment levy	-	-	-	-	35,519	-	35,519
Unassigned	<u>1,054,361</u>	-	-	-	-	-	<u>1,054,361</u>
Total fund balances	<u>1,111,969</u>	<u>30,963</u>	<u>556,944</u>	<u>587,014</u>	<u>35,519</u>	<u>35,519</u>	<u>2,322,409</u>
Total liabilities and fund balances	<u>\$ 5,361,929</u>	<u>30,963</u>	<u>856,944</u>	<u>595,195</u>	<u>121,144</u>	<u>121,144</u>	<u>6,966,175</u>

See notes to financial statements.

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2011

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 2,322,409
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	289,370
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,219,018
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the government funds.	
Net OPEB liability	(43,830)
Capital lease payable	(114,621)
Early retirement	<u>(236,857)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u>\$ 8,435,489</u>

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Statewide Sales Use Tax	Physical Plant and Equipment Levy	Total
<b>Revenues:</b>						
Local sources:						
Local tax	\$ 3,842,459	-	303,915	534,151	73,616	4,754,141
Tuition	1,014,680	-	-	-	-	1,014,680
Other	143,445	246,848	11,905	-	-	402,198
State sources	2,890,668	-	138	-	10	2,890,816
Federal sources	433,798	-	-	-	-	433,798
Total revenues	8,325,050	246,848	315,958	534,151	73,626	9,495,633
<b>Expenditures:</b>						
Current:						
Instruction	5,013,817	249,897	186,680	273,754	-	5,724,148
Support services:						
Student services	96,624	-	-	-	-	96,624
Instructional staff services	182,451	-	-	-	-	182,451
Administration services	619,551	-	-	-	-	619,551
Operation and maintenance of plant services	572,518	-	35,080	-	-	607,598
Transportation services	464,174	-	23,004	-	-	487,178
	1,935,318	-	58,084	-	-	1,993,402
Non-instructional programs:						
Community service operations	502	-	501	-	-	1,003



## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2011

<b>Net change in fund balances - total governmental funds (Exhibit E)</b>	\$ 1,291,380
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**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Income surtaxes not collected until more than 60 days after the District's fiscal year ends are not considered "available" in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.

This represents the change from the prior fiscal year.

31,577

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 382,672	
Depreciation expense	<u>(240,206)</u>	142,466

Undepreciated cost of capital assets sold	(67,961)
---	----------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.	(114,621)
---	-----------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Other postemployment benefits	(20,220)	
Early retirement	<u>(136,846)</u>	<u>(157,066)</u>

<b>Change in net assets of governmental activities (Exhibit B)</b>	<u>\$ 1,125,775</u>
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## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2011

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 45,821	3,066	48,887
Other receivables	-	817	817
Inventories	27,823	-	27,823
Capital assets	32,047	-	32,047
<b>Total assets</b>	<u>105,691</u>	<u>3,883</u>	<u>109,574</u>
<b>Liabilities</b>			
Accounts payable	<u>6,830</u>	<u>44</u>	<u>6,874</u>
<b>Net assets</b>			
Unrestricted	<u>98,861</u>	<u>3,839</u>	<u>102,700</u>
<b>Total net assets</b>	<u>\$ 105,691</u>	<u>\$ 3,883</u>	<u>\$ 109,574</u>

See notes to financial statements.

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2011

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Operating revenue:			
Local sources:			
Charges for services	\$ 212,542	45,671	258,213
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	110,397	-	110,397
Benefits	25,159	-	25,159
Services	2,822	-	2,822
Supplies	227,112	-	227,112
Depreciation	5,462	-	5,462
	<u>370,952</u>	<u>-</u>	<u>370,952</u>
Community service programs:			
Salaries	-	32,837	32,837
Benefits	-	5,042	5,042
Services	-	25	25
Supplies	-	13,347	13,347
	<u>-</u>	<u>51,251</u>	<u>51,251</u>
Total operating expenses	<u>370,952</u>	<u>51,251</u>	<u>422,203</u>
Operating (loss)	<u>(158,410)</u>	<u>(5,580)</u>	<u>(163,990)</u>
Non-operating revenues:			
State sources	3,276	-	3,276
Federal sources	176,584	7,120	183,704
	<u>179,860</u>	<u>7,120</u>	<u>186,980</u>
Change in net assets	21,450	1,540	22,990
Net assets beginning of year	<u>77,411</u>	<u>2,299</u>	<u>79,710</u>
Net assets end of year	<u>\$ 98,861</u>	<u>3,839</u>	<u>102,700</u>

See notes to financial statements.

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2011

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of services	\$ 212,542	44,854	257,396
Cash payments to employees for services	(135,556)	(37,879)	(173,435)
Cash payments to suppliers for goods or services	(198,088)	(13,328)	(211,416)
Net cash (used by) operating activities	(121,102)	(6,353)	(127,455)
Cash flows from non-capital financing activities:			
State grants received	3,276	-	3,276
Federal grants received	149,352	7,120	156,472
Net cash provided by non-capital financing activities	152,628	7,120	159,748
Net increase (decrease) in cash and cash equivalents	31,526	767	32,293
Cash and cash equivalents beginning of year	14,295	2,299	16,594
Cash and cash equivalents end of year	\$ 45,821	3,066	48,887
<b>Reconciliation of operating (loss) to net cash (used by) operating activities:</b>			
Operating (loss)	\$ (158,410)	(5,580)	(163,990)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:			
Depreciation	5,462	-	5,462
Commodities used	27,232	-	27,232
Decrease(Increase) in other receivables	-	(817)	(817)
(Increase) in inventory	(1,587)	-	(1,587)
Increase in accounts payable	6,201	44	6,245
	(121,102)	(6,353)	(127,455)

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2011, the District received federal commodities valued at \$27,232.

See notes to financial statements.

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2011

	Private Purpose Trusts	Agency Funds Booster Club	Total
<b>Assets</b>			
Cash and pooled investments	\$ 507,705	19,684	527,389
<b>Total assets</b>	<u>507,705</u>	<u>19,684</u>	<u>527,389</u>
<b>Liabilities</b>			
Other payables	-	19,684	19,684
<b>Net Assets</b>			
Reserved for scholarships	507,705	-	507,705
<b>Total net assets</b>	<u>\$ 507,705</u>	<u>-</u>	<u>507,705</u>

See notes to financial statements.

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trusts <u>Scholarships</u>
Additions:	
Local sources:	
Miscellaneous	\$ 15,793
Total additions	<u>15,793</u>
Deductions:	
Support services:	
Scholarships	<u>11,850</u>
Total deductions	<u>11,850</u>
Change in net assets	3,943
Net assets beginning of year	<u>503,762</u>
Net assets end of year	<u>\$ 507,705</u>

See notes to financial statements.

# PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2011

### (1) Summary of Significant Accounting Policies

Prairie Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Gowrie, Somers, Farnhamville, Callender and Rinard, Iowa, and agricultural area in Calhoun, Greene and Webster Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Prairie Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Prairie Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Webster and Calhoun County Assessor Conference Boards.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Capital Projects Fund, Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund, Statewide Sales, Services and Use Tax is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition and Daycare Funds. These funds are used to account for the food service and daycare operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used for scholarship payments.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.



Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Intangible assets	50,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangible assets	5-10 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

#### **(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2011.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year \$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 134,054	24,000	-	158,054
Construction in progress	-	58,025	-	58,025
	<u>134,054</u>	<u>82,025</u>	<u>-</u>	<u>216,079</u>
Capital assets being depreciated:				
Land improvements	477,808	199,848	-	677,656
Buildings	10,422,015	-	-	10,422,015
Furniture and equipment	<u>3,534,710</u>	<u>100,799</u>	<u>79,288</u>	<u>3,556,221</u>
Total capital assets being depreciated	<u>14,434,533</u>	<u>300,647</u>	<u>79,288</u>	<u>14,655,892</u>
Less accumulated depreciation for:				
Land improvements	382,565	16,954	-	399,519
Buildings	4,785,130	209,015	-	4,994,145
Furniture and equipment	<u>3,256,379</u>	<u>14,237</u>	<u>11,327</u>	<u>3,259,289</u>
Total accumulated depreciation	<u>8,424,074</u>	<u>240,206</u>	<u>11,327</u>	<u>8,652,953</u>
Total capital assets being depreciated, net	<u>6,010,459</u>	<u>60,441</u>	<u>67,961</u>	<u>6,002,939</u>
Governmental activities, capital assets, net	<u>\$ 6,144,513</u>	<u>142,466</u>	<u>67,961</u>	<u>6,219,018</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 143,829	-	-	143,829
Less accumulated depreciation	<u>106,320</u>	<u>5,462</u>	<u>-</u>	<u>111,782</u>
Business type activities capital assets, net	<u>\$ 37,509</u>	<u>(5,462)</u>	<u>-</u>	<u>32,047</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Unallocated	\$ 240,206
	<u>\$ 240,206</u>
Business Type activities:	
Food service operations	<u>\$ 5,462</u>

### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$287,325, \$292,572, and \$278,366 respectively, equal to the required contributions for each year.

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capital Lease Payable	\$ -	114,621	-	114,621	55,777
Net OPEB Liability	23,610	20,220	-	43,830	-
Early Retirement	<u>100,011</u>	<u>235,404</u>	<u>98,558</u>	<u>236,857</u>	<u>140,120</u>
Total	<u>\$123,621</u>	<u>370,245</u>	<u>98,558</u>	<u>395,308</u>	<u>195,897</u>

**(6) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$278,373 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(7) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Other Postemployment Benefits (OPEB)**

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2011.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 66 active and 14 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 50,904
Interest on net OPEB obligation	590
Adjustment to annual required contribution	(3,192)
Annual OPEB cost	<u>48,302</u>
Contributions made	(28,082)
Increase in net OPEB obligation	<u>20,220</u>
Net OPEB obligation beginning of year	<u>23,610</u>
Net OPEB obligation end of year	<u>\$ 43,830</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$49,210	52.0%	\$23,610
June 30, 2011	\$48,302	58.1%	\$43,830

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$520,728, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$520,728. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,195,000 and the ratio of the UAAL to covered payroll was 12.4%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Commitment**

The District has committed to the following projects which will not begin until fiscal year 2012:

\$750,000 of revenue bonds to be used for infrastructure projects. These will be repaid from proceeds of the statewide sales, services and use tax.

\$221,000 for the lease of computer equipment. This will be repaid from proceeds of the statewide sales, services and use tax.

\$337,504 for the lease of four school buses. Three payments of \$49,067 will be made beginning in July 2011, with the balance of \$216,003 due on June 30, 2014 if the District should wish to purchase the vehicles. This will be paid from proceeds of the statewide sales, services and use tax.

**(10) Lease Payable**

The District entered into a \$179,166 three year lease for the acquisition of laptop computers. This will be paid in three equal installments of \$62,079 beginning in August 2010. The interest rate is 5.498%. The lease will be repaid from proceeds of the statewide sales, services and use tax.

**(11) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects, Physical Plant and Equipment Levy</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ -	21,541
Change in fund type classification per implementation of GASB Statement No. 54	<u>21,541</u>	<u>(21,541)</u>
Balances July 1, 2010, as restated	<u>\$21,541</u>	<u>-</u>

## Required Supplementary Information

**PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund  
Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues:</b>						
Local sources	\$ 6,171,019	258,213	6,429,232	5,854,184	5,854,184	575,048
State sources	2,890,816	3,276	2,894,092	3,666,575	3,666,575	(772,483)
Federal sources	433,798	183,704	617,502	427,891	427,891	189,611
Total revenues	<u>9,495,633</u>	<u>445,193</u>	<u>9,940,826</u>	<u>9,948,650</u>	<u>9,948,650</u>	<u>(7,824)</u>
<b>Expenditures/Expenses:</b>						
Instruction	5,724,148	-	5,724,148	6,242,989	6,242,989	518,841
Support services	1,993,402	-	1,993,402	2,232,061	2,232,061	238,659
Non-instructional programs	1,003	422,203	423,206	477,000	477,000	53,794
Other expenditures	694,821	-	694,821	927,661	927,661	232,840
Total expenditures/expenses	<u>8,413,374</u>	<u>422,203</u>	<u>8,835,577</u>	<u>9,879,711</u>	<u>9,879,711</u>	<u>1,044,134</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	1,082,259	22,990	1,105,249	68,939	68,939	1,036,310
Other financing sources (uses)	<u>209,121</u>	<u>-</u>	<u>209,121</u>	<u>-</u>	<u>-</u>	<u>209,121</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	1,291,380	22,990	1,314,370	68,939	68,939	1,245,431
Balance beginning of year	<u>1,031,029</u>	<u>79,710</u>	<u>1,110,739</u>	<u>-</u>	<u>-</u>	<u>1,110,739</u>
Balance end of year	<u>\$ 2,322,409</u>	<u>102,700</u>	<u>2,425,109</u>	<u>68,939</u>	<u>68,939</u>	<u>2,356,170</u>

See accompanying independent auditor's report.



**PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT**

**Note to Required Supplementary Information - Budgetary Reporting**

**Year ended June 30, 2011**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$521	\$521	0.0%	\$4,506	11.6%
2011	Jul 1, 2009	\$0	\$521	\$521	0.0%	\$4,195	12.4%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## Other Supplementary Information

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 26,325	168,339	173,589	21,075
Cheerleaders	(161)	5,140	4,547	432
Class of 2009	284	-	284	-
Class of 2010	669	-	669	-
Class of 2011	1,587	486	499	1,574
Class of 2012	-	8,636	6,175	2,461
Drill Team	983	3,753	3,629	1,107
Dramatics	270	1,405	977	698
FFA	934	21,789	20,739	1,984
FCCLA	(918)	6,507	6,969	(1,380)
Instrumental	1,225	2,827	2,335	1,717
HS Student Council	4,211	9,562	12,497	1,276
Tri M	255	280	503	32
Vocal Music	(2,302)	7,472	6,094	(924)
Yearbook	-	9,444	8,984	460
MS Student Council	650	1,208	1,407	451
Total	<u>\$ 34,012</u>	<u>246,848</u>	<u>249,897</u>	<u>30,963</u>

See accompanying independent auditor's report.

## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Private Purpose Trusts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Belle Erickson Scholarship	\$ 3,397	14	-	3,411
William Johnson Scholarship	5,199	10	-	5,209
Evans Scholarship	-	200	200	-
George Larson Scholarship	7	1,500	1,500	7
Administration Scholarship	12	150	150	12
Nels Lindquist Scholarship	55	-	-	55
Cone Scholarship	101,388	629	2,000	100,017
Franzeen Memorial	389,670	13,290	8,000	394,960
Lucile Swensen Scholarship	4,034	-	-	4,034
Total	\$ 503,762	15,793	11,850	507,705

See accompanying independent auditor's report.



## PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child and Adult Care Food Program	10.558	F11	\$ 7,120
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	26,371
Food Distribution (non-cash)	10.555	FY11	27,232
National School Lunch Program	10.555	FY11	122,980
			<u>176,583</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY11	82,153
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	25,890
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY11	34,868
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	FY11	2,929
Improving Teacher Quality States Grants	84.367	FY11	41,457
Grants for Assessments and Related Activities	84.369	FY11	4,531
Vocational Education Basic Grants to States	84.048	FY11	8,927
Education Jobs Fund	84.410	FY11	132,489
Prairieland Area Education Agency 8:			
ARRA - Special Education Grants to States, Recovery Act	84.391	FY11	38,010
Special Education - Grants to States (IDEA Part B)	84.027	FY11	<u>34,372</u>
Total			<u>\$ 589,329</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Prairie Valley Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

# BRUCE D. FRINK

## Certified Public Accountant

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Board of Education of the  
Prairie Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Prairie Valley Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Prairie Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Prairie Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Prairie Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-11 to be a significant deficiency.

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### Compliance and Other Matters

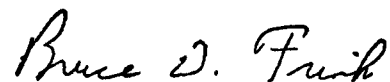
As part of obtaining reasonable assurance about whether Prairie Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Prairie Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Prairie Valley Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Prairie Valley Community School District and other parties to whom Prairie Valley Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Prairie Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK  
Certified Public Accountant

March 26, 2012

# BRUCE D. FRINK

## Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major  
Program and on Internal Control over Compliance in  
Accordance with OMB Circular A-133

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- IRS Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Prairie Valley Community School District:

### Compliance

We have audited the compliance of Prairie Valley Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Prairie Valley Community School District's major federal programs for the year ended June 30, 2011. Prairie Valley Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Prairie Valley Community School District's management. Our responsibility is to express an opinion on Prairie Valley Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Prairie Valley Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Prairie Valley Community School District's compliance with those requirements.

In our opinion, Prairie Valley Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### Internal Control over Compliance

The management of Prairie Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Prairie Valley Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Prairie Valley Community School District's internal control over compliance.

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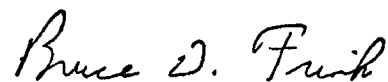
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Fax: (515) 532-3677  
bruce@frinkcpa.com

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

Prairie Valley Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Prairie Valley Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Prairie Valley Community School District and other parties to whom Prairie Valley Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 26, 2012

**PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.410 - Education Jobs Fund
  - Clustered programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Prairie Valley Community School District did not qualify as a low-risk auditee.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the Finance Manager makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

II-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

**Part II: Findings Related to the Financial Statements:**  
**(continued)**

II-C-11 Financial Reporting

Comment - We noted that assets and liabilities were overstated in the General Fund due to the failure to remove prior year ISCAP balances. The net effect on the ending fund balance on Exhibit C and net change in assets on Exhibit E was less than \$2,000.

Recommendation - Even though the net effect on the financial statements was immaterial, the ISCAP balances should have been fully removed from the District's Certified Annual Report.

Response - We will review future annual reports to ensure accuracy.

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

CFDA Number 10.553 - School Breakfast Program  
CFDA Number 10.555 - National School Lunch Program  
Federal Award Year: 2011  
US Department of Agriculture  
Passed through Iowa Department of Education

CFDA Number 84.410: Education Jobs Fund  
Federal Award Year: 2011  
U.S. Department of Education  
Passed through Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the Finance Manager makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response and Corrective Action Planned - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-11 Certified Budget - Expenditures for the year ended June 30, 2011, did not exceed the certified budgeted amount in any of the four functions. The District did not exceed its unspent authorized budget.
- IV-B-11 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-11 Business Transactions - No business transactions between the District and District officials or employees are were noted.
- IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-11 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- IV-G-11 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-H-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-I-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-J-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-11 Use of Statewide Sales, Services and Use Tax Proceeds - We noted that the District had used proceeds of the statewide sales, services and use tax to help fund its preschool/daycare program. Per an Iowa Department of Education directive, this is not considered to be an allowable use of these proceeds.

Recommendation - We recommend that the District discontinue using these funds for the support of its daycare program. The daycare program must be self-supporting without the use of public funds in order to continue as part of the District.

Response - We intend to discontinue using sales tax monies for our daycare program, however, we had previously received a written opinion from our District attorney that such expenditures were permissible.

Conclusion - Response accepted.

PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:  
(continued):

IV-M-11 Statewide Sales, Services and Use Tax - The following instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education.

Beginning balance		\$ 568,796
Revenues/transfers in:		
Sales tax revenues		<u>534,151</u>
		1,102,947
Expenditures/transfers out:		
School infrastructure construction	475,742	
Other	<u>40,191</u>	<u>515,933</u>
Ending balance		\$ <u>587,014</u>

For the year ended June 30, 2011, the District did not reduced any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.